W-2 + W-2 P/inst.

1989

Department of the Treasury
Internal Revenue Service

Instructions for Forms W-2 and W-2P

Paperwork Reduction Act Notice.—We ask for this information to carry out the internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

The time needed to complete and file these forms will vary depending on individual circumstances. The estimated average time is 28 minutes for Form W-2 and 18 minutes for Form W-2P. If you have comments concerning the accuracy of these time estimates or suggestions for making these forms more simple, we would be happy to hear from you. You can write to the **Internal Revenue Service,** Washington, DC 20224, Attention: IRS Reports Clearance Officer TR:FP; or the **Office of Management and Budget,** Paperwork Reduction Project (1545-0008), Washington, DC 20503.

Changes You Should Note:

- New rules apply to amounts you pay your employees for business expenses for tax years beginning after December 31, 1988. See the instructions for Boxes 10, 13, and 16 for how to report employee business expenses on Form W-2.
- Changes have been made to the law for computing the includible excess benefits under IRC section 89. IRS will provide additional guidance concerning these provisions.
- For 1989, there is a simplified method that can be used to calculate the taxable amount of annuity payments. See the instructions on page 4 for Box 10 of Form W-2P.
- The codes for Box 14 on Form W-2P have been revised. See the instructions on page 4 for Box 14 of Form W-2P.

General Instructions

(Section references are to the Internal Revenue Code, unless otherwise noted.)

Who Must File Forms W-2 and W-2P.—

(1) Form W-2, Wage and Tax Statement.—To be filed by employers. (See **Circular A,** Agricultural Employer's Tax Guide, or **Circular E,** Employer's Tax Guide. Household employers, see Form 942 instructions.)

(2) Form W-2P, Statement for Recipients of Annuities, Pensions, Retired Pay, or IRA Payments.—To be filed by employees' trusts or funds; Federal, state, or local government systems; life insurance companies; and other payers who make such payments.

When to File.—File Forms W-2 and W-2P with accompanying **Forms W-3,** Transmittal of Income and Tax Statements, by February 28, 1990.

If you need an extension of time to file Forms W-2, see the Instructions for Form W-3 under "When To File."

Where to File.—See Form W-3 for instructions.

Calendar Year Basis —You must base entries on Forms W-2 and W-2P on a calendar year.

Taxpayer Identification Numbers.—We use these numbers to check the payments you report against the amounts shown on the employees' tax returns. **When you prepare Forms W-2 or W-2P, be sure to show the right social security number on the forms, or on magnetic media.**

Persons in a trade or business use an employer identification number (00-0000000). This includes employee trusts, retirement systems, and so forth. Individuals use a social security number (000-00-0000). When you list a number, please separate the nine digits properly to show the kind of number.

Sole proprietors who are payers should show their employer identification number on the statements they prepare. But if you prepare a statement showing payment to a sole proprietor, give the proprietor's social security number in Box 8 of Form W-2 or Form W-2P.

Please show the full name, address, and identification number of the payer and the recipient on the form. If you made payments to more than one individual, show on the first line **ONLY** the name of the recipient whose number is on the statement. Show the other names on the second line. If the recipient is **NOT** an individual and the name runs over the first line, you may continue on the second and following lines.

Statements to Income Recipients.—

Form W-2 Recipients.—Generally, give statements to employees by January 31, 1990. If employment ends before December 31, 1989, you may give copies any time after employment ends. If the employee asks for Form W-2, give him or her the completed copies within 30 days of the request or the final wage payment, whichever is later.

Form W-2P Recipients.—Generally, you should give statements to income recipients by January 31, 1990.

You may give statements to income recipients on government-printed official forms or on privately printed substitute forms.

Be sure that the statements you provide to recipients are clear and legible.

A Revenue Procedure titled "Specifications for Private Printing of Forms W-2, W-2P, and W-3" and reprinted as **Pub. 1141**, explains the format that must be used on all substitute paper forms. You can get a copy by calling the IRS Forms Distribution Center at 1-800-424-FORM.

Corrections.—Use **Form W-2c,** Statement of Corrected Income and Tax Amounts, to correct errors on previously filed Forms W-2 and W-2P. Use **Form W-3c,** Transmittal of Corrected Income and Tax Statements, to transmit the W-2c forms to the Social Security Administration (SSA). Instructions are on the forms. If an employee (or recipient) loses a statement, write "REISSUED STATEMENT" on the new copy, **but do not send Copy A of the reissued statement to SSA.**

Sick Pay.—If you had employees who received sick pay in 1989 from an insurance company or other third-party payer, and the third party notified you of the amount of sick pay involved, you must report the following on the employees' Forms W-2:

(a) in Box 9, the amount (if any) of income tax withheld from the sick pay by the third-party payer;

(b) in Box 10, the amount the employee must include in income;

(c) in Box 11, the employee social security tax withheld by the third-party payer;

(d) in Box 13, the amount of sick pay that is subject to employer social security tax; and

(e) in Box 16, the amount (if any) not includible in income because the employee contributed to the sick pay plan.

You can include these amounts on the Forms W-2 you issue the employees showing wages, or you can give the employees a separate Form W-2 and state that the amounts are for third-party sick pay. In either case, you must show in Box 21 of Form W-3 the total amount of income tax withheld by third-party payers, even though the amounts are includible in Box 9.

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Magnetic Media Reporting.—You may be required to file Forms W-2 and W-2P on magnetic media. If you file 250 or more Forms W-2 or W-2P, you must report on magnetic media unless you have been granted a waiver by the IRS. You can get magnetic media reporting specifications at most Social Security Administration (SSA) offices or you may write to the Social Security Administration, P.O. Box 2317, Baltimore, MD 21235, Attn: Magnetic Media Coordinator.

Note: *If you file on magnetic media, do not file the same returns on paper.*

Penalties.—You may be assessed a $50 per document penalty if you:

- fail to file a timely Form W-2 with SSA or give the employee a copy;
- fail to file on magnetic media, if required; or
- fail to file paper forms with SSA that are machine readable.

There is also a penalty if you fail to include correct information on a statement.

If you fail to file a timely Form W-2P, you may be assessed a $25 per day penalty, up to $15,000 ($50 per failure for IRA information reporting).

How to Complete Form W-2

Copy A of Forms W-2 and W-2P is printed with three forms to an unperforated page. Send the whole page even if one or two of the forms are blank or void. If you are sending 42 or more Forms W-2, please show subtotals on every 42nd form for the preceding 41 forms to permit checking the transmittal totals. Do not subtotal items of 41 or less.

Since this form is processed by optical scanning machines, please type the entries, if possible, using black ink. Please do not make any erasures, whiteouts, or strikeovers on Copy A. Also, do not use script type. **Make all dollar entries without the dollar sign but with the decimal point (000.00).**

If possible, please file Forms W-2 and W-2P either alphabetically by employees' last name or numerically by employees' SSN. This will help the Social Security Administration locate specific forms if there is a problem processing your submission.

The instructions below are for boxes on Form W-2. If an entry does not apply, leave it blank.

Box 1—Control number.—You may use this box to identify individual Forms W-2. *You do not have to use this box.*

Box 3—Employer's identification number.—Show the number assigned to you by IRS (00-0000000). This should be the same number that you used on your Federal employment tax returns (Forms 941, 942, 943). Do not use a prior owner's number.

Box 4—Employer's state I.D. number.—You do not have to complete this box, but you may want to if you use copies of this form for your state return. The number is assigned by the individual states.

Box 5.—Check the boxes that apply.

Statutory employee.—Check this box for statutory employees whose earnings are subject to social security tax but **NOT** subject to Federal income tax withholding. (See Circular E for more information on statutory employees.)

Deceased.—Check this box if the employee is now deceased.

Pension plan.—Check this box if the employee was an active participant (for any part of the year) in a retirement plan (including a simplified employee pension (SEP) plan) maintained by you. See IRS Notice 87-16, 1987-1 C.B. 446, for definition of an active participant.

Legal representative.—Check this box when the employee's name is the only name shown but is shown as a trust account (e.g., John Doe Trust), or another name is shown in addition to the employee's name and the other person or business is acting on behalf of the employee.

Representatives are identified by words such as "custodian," "parent," or "attorney"; sometimes the employee is identified as a minor, child, etc. Do **NOT** check this box if the address is simply in care of someone other than the employee (John Doe, c/o Jane Smith).

942 employee.—For household employers only. See Form 942 instructions for information on when to check this box.

Subtotal.—Do not subtotal if you are submitting 41 or less Forms W-2 or W-2P. If you are submitting **42 or more Forms W-2 or W-2P**, please give subtotal figures for every 41 individual forms. Check the "Subtotal" box on the form that shows the subtotal dollar amounts for the preceding 41 forms. Void statements are counted in order with good statements (*but do not include the money amounts from the void statements in the subtotal figures*). Subtotal statements should always be the last completed form on a page. The subtotal amounts to be shown are:

Form W-2—Boxes 6, 7, 9, 10, 11, 13, and 14

Form W-2P—Boxes 9, 10, and 11

Example: *An employer with Forms W-2 for 86 employees should show a subtotal on the 42nd statement, the 84th statement (showing the subtotal for statements 43 through 83), and the 89th statement (showing the subtotal for statements 85 through 88).*

Deferred compensation.—Check this box if you made contributions on behalf of the employee to a section 401(k), 403(b), 408(k)(6), 457, or 501(c)(18)(D) retirement plan. See also instruction "(d)" under Box 16.

Void.—Put an X in this square when an error has been made. **(Be sure the amounts shown on void forms are NOT included in your subtotals.)**

Box 6—Allocated tips.—If you are a large food or beverage establishment, show the amount of tips allocated to the employee. (See the instructions for **Form 8027,** Employer's Annual Information Return of Tip Income and Allocated Tips.) Do **NOT** include this amount in Box 10 (Wages, tips, other compensation) or Box 14 (Social security tips).

Box 7—Advance EIC payment.—Show the total amount paid to the employee as advance earned income credit payments.

Box 8—Employee's social security number.—Give the number shown on the employee's social security card. If the employee does not have a number, he or she should apply for one at any SSA office.

Box 10—Wages, tips, other compensation.—Show in Box 10, before any payroll deductions, the following items:

(1) Total wages paid;

(2) Total noncash payments (including fringe benefits);

(3) Total tips reported;

(4) All other compensation (including certain scholarships and fellowship grants and payments for moving expenses.) Other compensation is amounts that you pay your employee from which Federal income tax is not withheld. If you prefer you may show other compensation on a separate Form W-2; and

(5) Reimbursements for employee business expenses as follows:

Show in Box 10 the ***total*** *reimbursements if:*

- The employee does not account to you (i.e., furnish receipts or other evidence) for those expenses; or
- You advance an amount to your employee for business expenses and do not require the employee to return any amounts he or she does not use for business expenses. (The same is true if the employee does not return the amounts, even if you require it.)

Show in Box 10 ***part*** *of the reimbursements (as explained below) if:*

You reimburse your employee a per diem or other fixed allowance that is similar in form to an allowance specified by the Federal government **AND** the amount exceeds the government specified rates (that is, the standard mileage rate for auto expenses, and

government per diem rate for travel away from home). In this case show only the portion of the reimbursement that is **more than** that allowed under the government specified rates. (In Box 16, show the portion of the reimbursement that is equal to the amounts allowed under the government specified rates. See the instructions for Box 16.)

Do not include in Boxes 10 and 13, employee business expense reimbursements if the amounts are less than or equal to the government specified rates and the employee established the time, place and business purpose of the expense.

IRS will issue further guidance concerning these provisions, including the government specified rates.

Note: *Payments to statutory employees, that are subject to social security tax but not subject to Federal income tax withholding, must be shown in Box 10 as other compensation. (See Circular E for definition of a statutory employee.)*

Box 11—Employee social security tax withheld.—Show the total employee social security tax (not your share) deducted and withheld or paid by you for the employee. (But if there was an adjustment in 1989 to correct the tax for a prior year, enter the amount withheld in 1989 increased by the adjustment for an overcollection or decreased by the adjustment for an undercollection.)

Example: *Employee A earned $26,000 in 1988. You withheld $1,852.60 in employee social security taxes. You should have withheld $1,952.60 ($26,000 x 7.51%). To correct this, you withheld extra tax in 1989 until you made up the $100. At the end of 1989 your books show $2,052.60 withheld ($1,952.60 ($26,000 x 7.51%) plus $100 to make up the 1988 error). To show the correct tax withheld for 1989, subtract the $100 from $2,052.60 and show $1,952.60 in Box 11 of Form W-2. Please note: You must file* ***Form 941c****, Statement to Correct Information Previously Reported on the Employer's Federal Tax Return, with your* ***Form 941****, Employer's Quarterly Federal Tax Return, in the quarter you find the error and issue the employee a Form W-2c for 1988.*

Box 12—Employee's name.—Enter the name as shown on the employee's social security card. If the name has changed, have the employee get a corrected card from any SSA office. Use the name on the original card until you see the corrected one.

Box 13—Total social security wages.—Show the total wages paid (before payroll deductions) subject to employer social security tax (but **NOT** including social security tips and allocated tips). Generally, noncash payments are considered wages. Include employee business expenses reported in Box 10. Also, include contributions to certain qualified cash or deferred compensation arrangements, even though the contributions are not includible in Box 10 as wages, tips, and other compensation. (See Circular E for more information.) Include any employee social security tax and employee state unemployment compensation tax you paid for your employee rather than deducting it from wages (see Revenue Procedure 81-48, 1981-2 C.B. 623, for details). The total of Boxes 13 and 14 should not be more than $48,000 (the maximum social security wage base for 1989).

Box 14—Social security tips.—Show the amount the employee reported even if you did not have enough employee funds to collect the social security tax for the tips. When tips and wages subject to employee social security taxes amount to $48,000 **do NOT** show any additional tips in this box. But show all tips reported in Box 10 along with wages and other compensation.

Box 15—Employee's address and ZIP code.—This box has been combined with Box 12 (employee's name) on all copies except Copy A to allow employees' copies to be mailed in a window envelope or as a self-mailer.

Box 16—Employer's use.—Complete and label this box if (a), (b), (c), (d), (e), (f), or (g) applies.

(a) You did **not** collect employee social security tax on all the employee's tips. Show the amount of tax that you could not collect because the employee did not have enough funds from which to deduct it. Do not include this amount in Box 11.

(b) You provided your employee more than $50,000 of group-term life insurance. Show the cost of coverage over $50,000. Also include it in Box 10 and Box 13.

(c) You are reporting sick pay. Show the amount of any sick pay **NOT** includible in income because the employee contributed to the sick pay plan. Label it as nontaxable. If you issue a separate Form W-2 for sick pay, use Box 16 to label the Form W-2 as "Sick pay."

(d) You made contributions to a section 401(k) cash or deferred arrangement, to a section 403(b) salary reduction agreement to purchase an annuity contract, to a section 408(k)(6) salary reduction SEP, to a section 457 deferred compensation plan for state or local goverment employees, or to a section 501(c)(18)(D) tax-exempt organization plan. Check the "Deferred compensation" checkbox in Box 5, enter the total elective deferral (including any excess) in Box 16, and label it "401(k)," "403(b)," etc.
Note: *Beginning in 1989 the section 457 dollar limitation should be reduced by contributions made to certain other deferred compensation plans. (See section 457(c)(2).)*

(e) You are a Federal, state, or local agency with employees paying the 1.45% medicare portion of the social security tax. For these employees, write "Medicare qualified government employment" in Box 16, and show the social security wages and 1.45% tax withheld in Boxes 13 and 11, respectively.

(f) You made excess "golden parachute" payments to certain key corporate employees. If the excess payments are considered wages, the 20% excise tax is treated as income tax withholding. Include this tax in Box 9 and identify the amount of tax as "EPP" in Box 16.

(g) You reimbursed your employee a per diem or other fixed allowance that is similar in form to an allowance specified by the Federal government **AND** that amount exceeds the government specified rates (that is, the standard mileage rate for auto expenses, and the government per diem rate for travel away from home). In this case show in Box 16 the portion of the reimbursement that is equal to the amounts allowed under the government specified rates. Label the amount "EBE" (for employee business expenses). (In Box 10, show the portion of the reimbursement that is **more than** that allowed under the government specified rates. See the instructions for Box 10.)

Do **not** include any employee business expense reimbursement in Box 16 if the total reimbursement is less than or equal to the amounts allowed under government specified rates.

If more than two items need to be reported in Box 16, you may use a separate Form W-2 or a substitute Form W-2 to report the additional items. If you issue multiple Forms W-2, do **NOT** report the same Federal tax data to the Social Security Administration (SSA) on more than one Copy A. If you use a substitute Form W-2 the form must meet the requirements of **Pub. 1141,** Specifications for Private Printing of Forms W-2, W-2P, and W-3.

If none of the above apply, you may use Box 16 for any information you want to give the employee. Examples are union dues or health insurance premiums deducted, moving expenses paid, or educational assistance payments.

Box 16a—Fringe benefits included in Box 10.—Show the total value of the taxable fringe benefits included in Box 10 as other compensation. If you provided a vehicle and included 100% of the value in the employee's income, you must separately report this value to the employee in Box 16a or on a separate statement so the employee can compute the value of any business use of the vehicle.

Boxes 17 through 22—State or local income tax information.—You may use these to report state or local income tax information. You do not have to use them. But you may want to show the amounts on Copy A if you use copies of this form for your state or local tax returns or as recipients' statements.

How to Complete Form W-2P

The instructions below are for Form W-2P. If an entry does not apply, leave it blank. Use this form to report retirement payments other than total distributions that close an account. Examples are pensions, retired or retainer pay, annuities under commercial, individually purchased contracts, payments from individual retirement accounts or individual retirement annuities, loans treated as distributions under section 72(p), and PS 58 costs. If distributions paid to someone for the year are less than $1, a Form W-2P need not be filed for that person. Total distributions generally are reported on **Form 1099-R**, Total Distributions from Profit-Sharing, Retirement Plans, Individual Retirement Arrangements, Insurance Contracts, etc.

For treatment of repayments by recipients of erroneous pension benefits, see Circular E, Employer's Tax Guide.

Use Form W-2 to report payments from which you withheld social security tax.

Do **NOT** file Form W-2P for the following cases: (a) You paid retirement benefits that are exempt from tax such as Veterans Administration payments; (b) You made payments as a fiduciary, filed Form 1041, and gave each beneficiary a Schedule K-1 (Form 1041); or (c) You made total distributions reported on Form 1099-R.

Box 1—Control number.—You may use this to identify individual Forms W-2P. *You do not have to use this box.*

Box 3—Payer's Federal identification number.—Show the number assigned to you by the IRS (00-0000000). The payer or plan administrator must file using the same number for the payer, used to deposit any tax withheld and to file a quarterly withholding tax return (Form 941, etc.)

Box 4—Payer's state I.D. number.—You do not have to complete this box, but you may want to if you use copies of this form for your state return. The number is assigned by the individual states.

Boxes 5 and 6—State income tax withheld and name of state.—You may use these to report state and local tax information if you use copies of this form for your state returns or as recipients' statements.

Box 7.—Check the boxes that apply.

Taxable amount (Tax amt) ***NOT*** *determined.*—Check this box if you are not able to figure the taxable amount of the annuity, pension, retirement pay, or IRA payment to report in Box 10. See the instructions for Box 10 below for information on the new simplified method for figuring the taxable amount of annuity payments.

Deceased.—Check this box if the recipient is now deceased.

Legal representative.—Check this box when the recipient's name is the only name shown but it is shown as a trust account (e.g., John Doe Trust), or when another name is shown as well as the recipient's name and the other person or business is acting on behalf of the recipient.

Representatives are identified by words such as custodian, parent, or attorney; sometimes the recipient is identified as a minor, child, etc. Do **NOT** check this box if the address is simply in care of someone other than the recipient (such as John Doe c/o Jane Smith).

Subtotal.—If you are submitting **42 or more Forms W-2P**, please give subtotal figures for every 41 individual forms. See the W-2 instructions for Box 5 for details.

Void.—Put an X in this square when an error has been made. Forms W-2P should have no erasures, whiteouts, or strikeovers on Copy A. **(Be sure the amounts shown on void forms are NOT included in your subtotals.)**

Box 8—Recipient's social security number.— Give the number shown on the recipient's social security card. If the person does not have a number, he or she should apply for one at any SSA office.

Box 9—Gross annuity, pension, retired pay, or IRA payment.—Show the total amount of the distribution before income tax or other deductions were withheld. Do not include amounts exempt from tax as workmen's compensation under section 104. Include current insurance premiums (including "PS 58" costs) paid by the trustee or custodian, and loans treated as distributions under section 72(p).

Box 10—Taxable amount.—Show the amount the recipient should include in income (including "PS 58" costs). This often is the same as in Box 9. You must make every effort to obtain the information necessary to compute the taxable amount.

If you made periodic distributions from a section 401(a), 403(a), or 403(b) pension plan and the annuity starting date is after July 1, 1986, you may be able to use a simplified method to compute the taxable amount. See Notice 88-118, 1988-47 I.R.B. 9, for details.

If you do not have the facts you need to figure the taxable amount, you may have to leave this box blank and check "Tax amt not determined" in Box 7.

For new rules on reporting the distribution of excess deferrals, excess contributions, and excess aggregate contributions, see IRS Notice 87-77, 1987-2 C.B. 385 and Notice 88-33, 1988-1 C.B. 513.

Generally, you are not required to compute the taxable amount of an IRA. However, in the case of a distribution by a trust representing CDs redeemed early, report the net amount distributed.

Box 11.—Federal income tax withheld.

Box 12—Recipient's name.—Enter the name as shown on the recipient's social security card. If the name has changed, have the person get a corrected card from any SSA office. Use the name shown on the original card until you see the corrected one.

Box 13.—You may use Box 13 and the space below Boxes 13 and 14 for any other information that you want to give the recipient.

Box 14—Distribution code.—This box is used to identify distributions that may have special tax consequences. Use it to identify any distributions that are not normal retirement distributions. If you are reporting more than one kind of distribution, use a separate Form W-2P for each distribution code. The code is a four-digit number starting with 555. The fourth digit identifies the type of distribution: 1—Premature distribution (as defined in section 72(q), (t), or (v) other than codes 2, 3, 4, 8, P, or D); 2—Rollover (use this code only if the participant has informed you that the distribution will be rolled over and only if no other code applies.); 3—Disability; 4—Death (includes payments to a beneficiary); 6—Other (including a normal distribution); 7—Normal IRA or SEP distribution; 8—Excess contributions plus earnings/excess deferrals (and/or earnings) taxable in 1989; 9—PS 58 costs (if a total distribution was not made during the year); P—Excess contributions plus earnings/excess deferrals taxable in 1988; D—Excess contributions plus earnings/excess deferrals taxable in 1987. (For example, Code 5553 is for disability.)

Box 15.—See Box 15, Form W-2 instructions.

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